



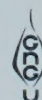
Great Northern Gas Utilities Ltd. 1973 Annual Report





View of part of the City of Yellowknife at night, where electricity sales volumes have increased by an average of 20% over the last five years.

Photograph by Gerhard Reimann.



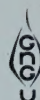
Great Northern Gas Utilities Ltd.

and subsidiaries

Highlights

	1973	1972	1971	1970	1969
Utility Customers at Year End .	36,796	34,686	32,182	30,369	28,706
Utility Gas Volumes (Mcf) . .	17,460,000	14,723,000	14,018,926	12,705,828	11,039,311
Electricity Volumes (Kwh) . .	42,382,000	36,469,000	28,504,000	25,298,100	20,883,105
Sales	\$12,875,694	\$11,116,306	\$ 9,982,224	\$ 8,948,620	\$ 8,052,468
Other Revenue (Note 1)	\$ 1,123,498	\$ 995,279	\$ 1,030,031	\$ 1,106,148	\$ 1,029,844
Cash Flow	\$ 2,747,006	\$ 2,557,317	\$ 2,414,838	\$ 2,323,967	\$ 2,084,159
Net Earnings (Note 1) (Before extraordinary items) .	\$ 1,627,902	\$ 1,597,770	\$ 1,494,820	\$ 1,493,867	\$ 1,265,601
Working Capital (Exclusive of bank borrowings)	\$ 7,131,265	\$ 7,107,491	\$ 7,046,544	\$ 6,916,676	\$ 7,070,249
Long Term Debt (Inclusive of bank borrowings)	\$16,247,500	\$14,914,200	\$14,275,000	\$13,922,900	\$13,959,071
Annual Additions to Plant					
Utility	\$ 2,592,867	\$ 2,461,116	\$ 1,685,824	\$ 1,786,298	\$ 2,437,371
Other	\$ 449,149	\$ 434,443	\$ 326,468	\$ 215,349	\$ 110,647
Gross Plant					
Utility	\$28,512,995	\$26,009,887	\$23,690,666	\$22,150,715	\$20,600,907
Other	\$ 4,142,170	\$ 3,763,193	\$ 3,451,331	\$ 3,190,436	\$ 2,994,355
Miles of Pipeline (Transmission and Distribution)	3,467	3,062	2,658	2,521	2,240

Note: 1. Before gain on foreign exchange.



Great Northern Gas Utilities Ltd.

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To the Shareholders

The results for the year ended December 31, 1973 were gratifying when taking into consideration weather that was substantially warmer than that of the preceding year. Consolidated net earnings for the year amounted to \$1,627,902 compared to \$1,715,370 for 1972, which latter amount included a favourable foreign exchange adjustment of \$117,600. Cash flow from operations increased 7.4% to \$2,747,006 compared to \$2,557,317 for 1972. Total revenues for the year were \$13,999,192 compared to \$12,111,585 for 1972. Net earnings attributable to common shares after the payment of preferred dividends of \$152,887 were \$1,475,015 compared to \$1,557,570 for 1972. A breakdown of net earnings on a comparative basis is as follows:—

	1973	1972	Increase (Decrease)
From operations . .	\$1,071,113	\$1,107,522	(3.3%)
From investments .	556,789	490,248	13.6%
	<u>1,627,902</u>	<u>1,597,770</u>	1.9%
Foreign exchange adjustment . .		117,600	
	<u>\$1,627,902</u>	<u>\$1,715,370</u>	(5.1%)

Combined sales increased to \$12,875,694 or 15.8% over the previous year. Utility sales were \$10,208,212 compared to \$9,045,247 for 1972, an increase of 12.9%. Propane sales and oil and gas production sales increased by 28.4% over 1972 to \$2,270,916 from \$1,768,316. The increase in utility sales was due principally to increased volumes of industrial sales which had the effect of partially offsetting the warmer weather.

The volume of gas sold during 1973 was 17,460,000 Mcf, 18.6% more than the 14,723,000 Mcf in the preceding year. Sales of electricity in the City of Yellowknife increased during the year by 16.2% to 42,382,000 Kwh. Propane sales were 6,256,000 gallons compared to 5,572,000 gallons in 1972.

Cost of sales at \$6,628,965 was 53.6% of sales compared to 49.8% in 1972. Operating, selling and administrative expenses amounted to \$2,711,147 compared to \$2,517,841 for the preceding year, an increase of 7.7%. As a percentage of revenues these expenses were one and a half percentage points less than in 1972.

The pressure of increased expenses, and the increased cost of sales had a depressing effect on the Company's earnings but with the close attention given to these costs the effects were

minimized. The Company continues to maintain its high standard of service to all its customers.

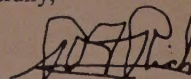
Working capital of \$7,131,265, exclusive of bank borrowings, at December 31, 1973 compares with \$7,107,491 a year earlier. At the year end working capital included \$6,355,000 of short term investments. Cash flow from all sources during the year amounted to \$7,423,059, of which \$2,747,006 was from operations. During the year long term debt existing at the previous year end was decreased by \$399,700 and the Company borrowed \$4,500,000 by way of promissory notes at 8% for 20 years. The Company also purchased 2,900 of the Company's Series "A" preferred shares on the security market with respect to the purchase fund for the outstanding preferred shares.

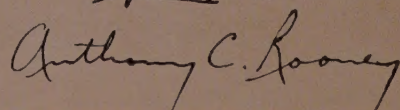
Capital expenditures during the year, net of customers' contributions, amounted to \$2,527,536, of which \$1,616,476 was for construction in the natural gas and electricity operations. 405 miles of transmission and distribution pipe were installed, part of which was for new systems in three urban communities and one rural area. At year end the Company served 34,389 gas utility customers through 3,467 miles of pipe in 78 urban communities and 23 rural areas. The number of electricity users in the City of Yellowknife increased 8.4% to 2,407. The Company was also serving 5,620 propane customers to whom 6,256,000 gallons of propane were sold during 1973.

We look forward during 1974 with optimism as we expect the many systems installed over the past two or three years to mature. Our projections for 1974 indicate a continuation of this growth, particularly in the service areas within the radius of 100 miles of the City of Edmonton. In the City of Yellowknife there is every indication of the growth of that City continuing where the Company has experienced an average of 20% increase in volumes over the past five years. On Vancouver Island, which is our propane sales market, the indication for the future is for continued growth. The Company's overall growth prospects continue to be excellent.

On behalf of the Directors of the Company we wish to express their appreciation to all employees of the Company for their contributions to the Company's and its customers' well being.

Respectfully,

 Chairman of the Board

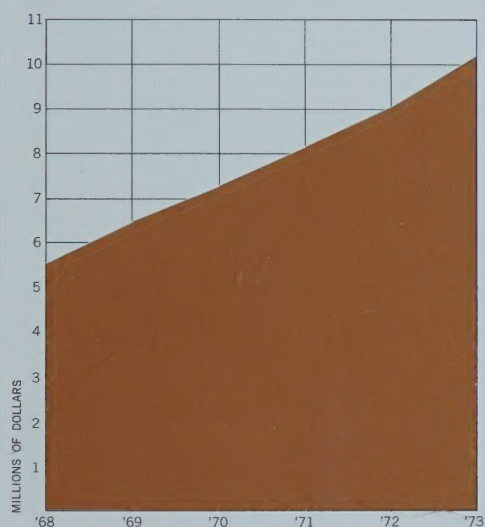
 President



Great Northern Gas Utilities Ltd.

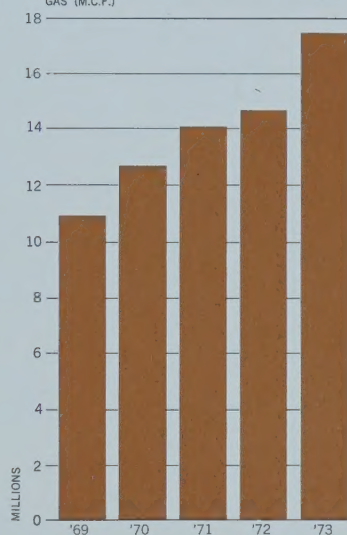
and subsidiaries

UTILITY REVENUES

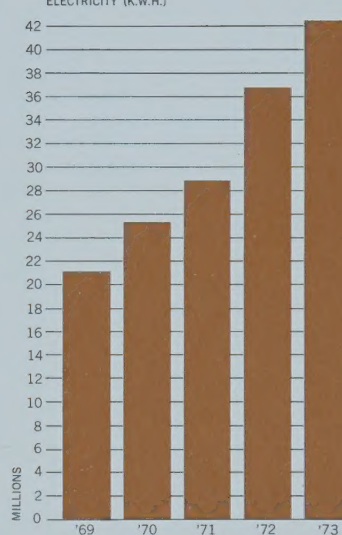


UTILITY SALES VOLUMES

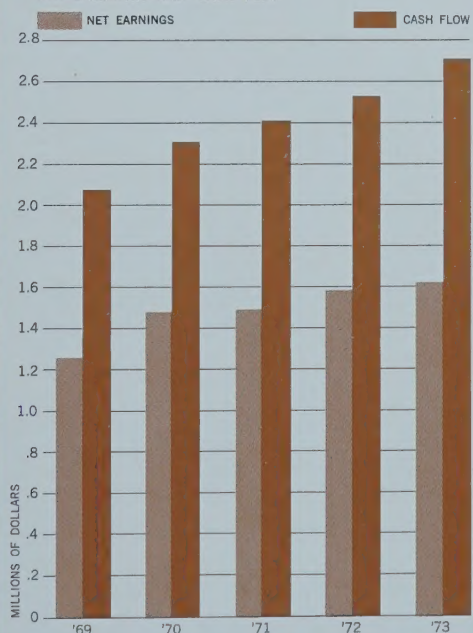
GAS (M.C.F.)



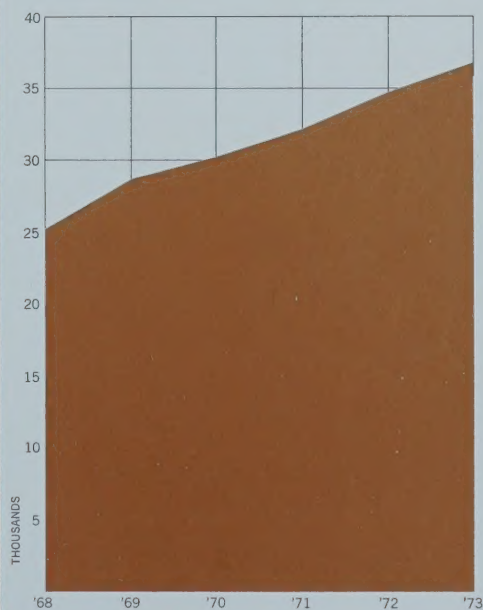
ELECTRICITY (K.W.H.)

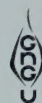


NET EARNINGS AND CASH FLOW



UTILITY CUSTOMERS AT YEAR END





Great Northern Gas Utilities Ltd.

and subsidiaries

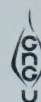
Consolidated Balance Sheet

DECEMBER 31, 1973 AND 1972

ASSETS

	1973	1972
Fixed at cost		
Transmission lines and distribution systems	\$25,597,498	\$23,326,744
Land, buildings and equipment	3,152,196	2,833,507
Oil and gas properties	2,750,981	2,434,612
Customers' installations	1,252,490	1,178,217
	<u>32,753,165</u>	<u>29,773,080</u>
Less		
Accumulated depreciation	7,404,069	6,650,945
Accumulated depletion	1,092,082	925,470
	<u>8,496,151</u>	<u>7,576,415</u>
	<u>24,257,014</u>	<u>22,196,665</u>
Investments at cost		
7¾ % preferred shares of affiliate	5,250,000	5,250,000
Other	31,273	31,274
	<u>5,281,273</u>	<u>5,281,274</u>
Current		
Cash	282,168	171,094
Short term deposits	6,355,000	6,668,189
Accounts receivable	2,254,005	1,795,922
Inventories at lower of cost and net realizable value	832,365	569,465
Prepaid expenses	121,656	57,828
	<u>9,845,194</u>	<u>9,262,498</u>
Other		
Deferred charges less amounts written off	244,910	148,753
Cost of shares of subsidiaries over net book value at dates of purchase	263,578	263,729
	<u>508,488</u>	<u>412,482</u>
	<u>\$39,891,969</u>	<u>\$37,152,919</u>

See accompanying notes.



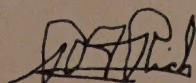
Great Northern Gas Utilities Ltd.

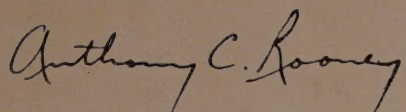
and subsidiaries

LIABILITIES

	1973	1972
Shareholders' equity		
Capital (Note 2)		
Authorized		
250,000 preferred shares, par value \$25 each		
5,000,000 common shares, no par value		
Outstanding		
100,300 6% cumulative redeemable preferred shares (1972 — 103,200 shares)	\$ 2,507,500	\$ 2,580,000
3,130,000 common shares	6,034,970	6,034,970
Retained earnings (Notes 2 and 3)	6,803,712	6,689,447
	<u>15,346,182</u>	<u>15,304,417</u>
Minority interest in subsidiaries	<u>1,951,510</u>	<u>1,764,398</u>
Customers' contributions (Note 4)	<u>3,022,880</u>	<u>2,465,340</u>
Long term debt (Note 5)	<u>16,042,500</u>	<u>11,934,200</u>
Deposits	<u>378,663</u>	<u>349,632</u>
Deferred income taxes (Note 6)	<u>231,305</u>	<u>199,925</u>
Current		
Bank loan and bankers' acceptances	205,000	2,980,000
Accounts payable and accrued charges		
Trade	2,046,109	1,552,681
Affiliates	383,762	276,735
Income taxes payable	124,285	185,925
Current maturities of long term debt (Note 5)	113,039	97,200
Deferred income	46,734	42,466
	<u>2,918,929</u>	<u>5,135,007</u>

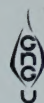
On behalf of the Board:

 Director.

 Director.

\$39,891,969 \$37,152,919

See accompanying notes.

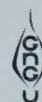


Great Northern Gas Utilities Ltd.
and subsidiaries

Consolidated Statement of Earnings
YEARS ENDED DECEMBER 31, 1973 AND 1972

	<u>1973</u>	<u>1972</u>
Revenue		
Sales	\$12,875,694	\$11,116,306
Investment income (including \$406,875 dividend from an affiliate in 1973 and 1972)	890,813	794,926
Gain on foreign exchange		117,600
Other	232,685	200,353
	<u>13,999,192</u>	<u>12,229,185</u>
Expenses		
Cost of sales	6,628,965	5,344,619
Operating, selling and administrative expenses	2,711,147	2,517,841
Interest and expense on long term debt	959,042	782,003
Other interest expense	71,972	115,639
Depreciation	775,295	709,559
Depletion	166,613	103,583
Minority interest in earnings of subsidiaries	187,881	157,280
	<u>11,500,915</u>	<u>9,730,524</u>
Earnings before income taxes	2,498,277	2,498,661
Income taxes (Note 6)	870,375	783,291
Net earnings for the year	<u>\$ 1,627,902</u>	<u>\$ 1,715,370</u>
Net earnings per common share	<u>\$.47</u>	<u>\$.50</u>

See accompanying notes.

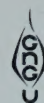


Great Northern Gas Utilities Ltd.
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Consolidated Statement of Retained Earnings
YEARS ENDED DECEMBER 31, 1973 AND 1972

	<u>1973</u>	<u>1972</u>
Balance at beginning of year	\$6,689,447	\$5,992,627
Add net earnings for the year	<u>1,627,902</u>	<u>1,715,370</u>
	8,317,349	7,707,997
 Deduct dividends		
Preferred shares	152,887	157,800
Common shares	<u>1,360,750</u>	<u>860,750</u>
	1,513,637	1,018,550
Balance at end of year	<u><u>\$6,803,712</u></u>	<u><u>\$6,689,447</u></u>

See accompanying notes.



Great Northern Gas Utilities Ltd.

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Consolidated Statement of Source and Use of Funds

YEARS ENDED DECEMBER 31, 1973 AND 1972

	<u>1973</u>	<u>1972</u>
Source of funds		
Operations		
Net earnings for the year	\$1,627,902	\$1,715,370
Add		
Depreciation and depletion	941,908	813,142
Deferred income taxes	31,380	32,394
Gain on foreign exchange		(117,600)
Minority interest	187,881	157,280
Other	(42,065)	(43,269)
Cash flow from operations	<u>2,747,006</u>	<u>2,557,317</u>
Disposal of fixed assets	137,218	204,115
Additional long term debt	4,508,000	
Other	30,835	35,866
	<u>7,423,059</u>	<u>2,797,298</u>
Use of funds		
Additions to fixed assets	3,042,016	2,895,559
Less customer contributions	514,480	503,175
	<u>2,527,536</u>	<u>2,392,384</u>
Redemption of preferred shares	72,500	72,500
Reduction of long term debt	399,700	286,400
Dividends on common and preferred shares	1,513,637	1,018,550
Other	110,912	8,517
	<u>4,624,285</u>	<u>3,778,351</u>
Increase (Decrease) in working capital	<u><u>\$2,798,774</u></u>	<u><u>\$ (981,053)</u></u>

See accompanying notes.



Great Northern Gas Utilities Ltd.

and subsidiaries

Notes to Consolidated Financial Statements

DECEMBER 31, 1973

1. Summary of Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Great Northern Gas Utilities Ltd. and all its subsidiaries. United States dollar amounts have been translated to Canadian dollars on the basis that \$1.00 U.S. Equals \$1.00 Canadian.

Fixed Assets, Depreciation and Depletion

Fixed assets are recorded at cost which policy includes the full-cost method of accounting for oil and gas properties. Depreciation is provided on a straight line basis at varying rates from 2% to 25% which are designed to amortize the cost of the assets over their estimated useful lives.

Oil and gas properties are depleted on a unit of production method based on estimated remaining reserves. Limited term interests in oil and gas leases are depleted over their remaining terms of up to four years.

2. Capital

Under the provisions relating to the outstanding preferred shares the Company is required to expend \$60,000 annually for redemption of preferred shares, if available on the open market, at a price not exceeding \$24.50 per share. The Company has satisfied this obligation to June 30, 1976. In addition, the preferred shares are redeemable at any time at a price of \$26.25 per share.

To December 31, 1973, the Company has redeemed 25,745 preferred shares of an aggregate par value of \$643,625 (2,900 shares during 1973). Accordingly, consolidated retained earnings include \$643,625 designated as "capital surplus" under the provisions of the Canada Corporations Act.

3. Dividend restrictions

The provisions relating to the preferred shares and the promissory notes contain restrictions as to the declaration and payment of cash dividends on common shares, the most restrictive of which at December 31, 1973 limits the payment of such dividends to an amount which would not exceed \$1,807,000.

4. Customers' Contributions

In prior years customers' contributions have been deducted from the costs of related transmission lines and distribution systems carried in the balance sheet. During 1973 the Public Utilities Board of Alberta required a subsidiary to segregate such amounts and accordingly customers' contributions are shown separately in the balance sheet and amortization is provided in amounts that correspond with depreciation of the related assets. The 1972 accounts have been reclassified to conform with the 1973 change in disclosure.

5. Long term debt

	1973	1972
6% Sinking Fund Debentures, Series A due 1985 . . .	\$ 7,594,500	\$ 7,896,000
7¼ % Promissory Note, due 1989 (\$3,880,000 U.S.)	3,880,000	3,920,000
8½ % Promissory Notes, due 1993 . . .	4,500,000	
6% Sinking Fund Bonds, Series A of a subsidiary, due 1976 . . .	143,000	189,000
7% Notes payable	38,039	26,400
	<u>16,155,539</u>	<u>12,031,400</u>
Less current maturities included in current liabilities . . .	113,039	97,200
	<u>\$16,042,500</u>	<u>\$11,934,200</u>



Great Northern Gas Utilities Ltd.

and subsidiaries

Long term debt repayments in each of the five years subsequent to December 31, 1973 will be as follows:

1974 - \$113,039; 1975 - \$174,000; 1976 - \$398,500; 1977 - \$395,000 and 1978 - \$395,000.

6. Income taxes

For income tax purposes the companies claim capital cost allowances (depreciation) and certain other charges in amounts which are different from the related charges to earnings. The companies follow the accounting practice of tax allocation with respect to such differences, except in the case of subsidiary companies engaged in the operation of public utilities which record only income taxes payable in determining rates. During 1973 claims for tax purposes of non-regulated companies exceeded depreciation and certain other charges provided in the accounts and deferred income taxes of \$31,380 were provided thereon.

The companies may also claim for income tax purposes, drilling, exploration, property acquisition costs and costs of limited term interests in oil and gas leases (intangible costs) in amounts which exceed the related charges to earnings. As a result, income taxes in respect of earnings reported for 1973 and 1972 have been reduced.

The companies, in accordance with general practice in the oil and gas industry, make no provision for deferred income taxes in respect of such excess deductions since they believe that tax allocation accounting, as recommended by the Canadian Institute of Chartered Accountants, is not appropriate for costs of this nature.

If the tax allocation basis of accounting had been followed for all timing differences between taxable income and recorded earnings the income tax provision would have been increased and net earnings for the year would have been decreased by \$180,000 - \$.06 per share (\$130,000 - \$.04 per share in 1972).

The accumulated unrecorded income tax reductions related to all timing differences in

the current and prior years amount to approximately \$1,986,000 at December 31, 1973.

Accumulated expenditures remain to be carried forward and applied against future taxable income as follows:

	1973	1972
Drilling, exploration and property acquisition costs	\$ 15,000	\$ 79,000
Undepreciated capital cost . .	\$15,686,000	\$14,773,000

Various provincial securities commissions in Canada have recently questioned the appropriateness of not following tax allocation accounting with respect to intangible costs and the oil and gas industry has prepared and submitted a background study to the commissions in February, 1974. The commissions have indicated that unless, as a result of the study, they are satisfied with the basis for departing from such procedures, companies in the oil and gas industry should be prepared to adopt tax allocation accounting effective in 1974 in respect of these costs.

7. Other statutory information

During the year the Company had nine directors and five officers who were paid the following remuneration:

	Directors	Officers	Total
By the Company	\$10,800	\$123,800	\$134,600
By subsidiaries	1,000	1,600	2,600
	<u>\$11,800</u>	<u>\$125,400</u>	<u>\$137,200</u>

Two of the officers are directors.

The remuneration paid to directors and senior officers of the Company during 1973 (defined by The Securities Act of Ontario as including the five highest paid employees of the Company and its subsidiaries) amounted to \$153,250.



Great Northern Gas Utilities Ltd.
and subsidiaries

Auditors' Report

To the Shareholders of
Great Northern Gas Utilities Ltd.

We have examined the consolidated balance sheet of Great Northern Gas Utilities Ltd. and subsidiaries as at December 31, 1973 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada.
February 28, 1974.

McLachlan, Gordon & Co.
Chartered Accountants.



Great Northern Gas Utilities Ltd.

and subsidiaries

Board of Directors

FERNAND E. CHENU
Brussels, Belgium

E. JACQUES COURTOIS, Q.C.
Montreal, Quebec

MARC H. DHAVERNAS
Montreal, Quebec

PAUL M. MARSHALL
Calgary, Alberta

FRITZ MORSCHBACH
Cologne, Germany

RAYMOND A. RICH
Chairman of the Board

ANTHONY C. ROONEY
President

J. GRANT SPRATT
Calgary, Alberta

DAVID R. WILLIAMS, JR.
Tulsa, Oklahoma

Officers

RAYMOND A. RICH
Chairman of the Board

ANTHONY C. ROONEY
President

ROBERT C. WHARTON
Vice-President, Operations

ERNEST W. STRAUS
Vice-President, Administration
and Treasurer

JOHN E. CARSTAIRS
Secretary

Subsidiary Companies

Plains-Western Gas & Electric Co. Ltd.
Operating in Alberta, British Columbia
and Yellowknife, N.W.T.

Plains-Western Gas (Manitoba) Ltd.
Operating in Manitoba

Rockgas Utilities Ltd.
Operating in British Columbia

Fort St. John Petroleums Ltd.
Operating in British Columbia and Alberta

Transfer Agents and Registrar

Montreal Trust Company,
Montreal, Toronto and Calgary

Trustee for Debentures

Montreal Trust Company,
Montreal, Toronto, Edmonton and Calgary

Head Office

700 Three Calgary Place, Calgary, Alberta
T2P 0J1



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